

## LEGISLATIVE BRANCH APPROPRIATIONS FOR FISCAL YEAR 2016

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TUESDAY, MARCH 10, 2015

U.S. SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,  
*Washington, DC.*

The subcommittee met at 3:04 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Shelley Moore Capito (chairman) presiding.

Present: Senators Capito, Schatz, and Murphy.

### CONGRESSIONAL BUDGET OFFICE

#### STATEMENT OF DR. DOUGLAS W. ELMENDORF, PH.D., DIRECTOR

##### OPENING STATEMENT OF SENATOR SHELLEY MOORE CAPITO

Senator CAPITO. Good afternoon, everybody. The subcommittee will come to order. I would like to welcome everyone to the first of our fiscal year 2016 budget hearings for the variety of agencies under the jurisdiction of the Legislative Branch Appropriations Subcommittee.

I would like to welcome my ranking member. This is our first run at this show, and I think I speak for myself and for the Senator, that we are excited about having this responsibility.

We are going to begin today with the Director of the Congressional Budget Office (CBO), Dr. Douglas Elmendorf, and the head of the Government Accountability Office (GAO), Mr. Gene Dodaro. I appreciate the willingness of the witnesses to appear before the subcommittee today.

I would like to start by thanking Dr. Elmendorf for his 6 years of service as the Director of the Congressional Budget Office. As we talked just briefly, I know you are going to be welcoming a breath of fresh air in your life, a time to reflect and figure what you want to do for the rest of your life, but you have been a stellar public servant.

Your tenure has assured that the CBO provided this committee with objective, non-partisan information that is necessary for us to do our job, and I speak for the rest of Congress as well.

We appreciate the manner in which you have approached this with the very, very difficult task that you have had. We wish you well.

As many of you already know, on February 27, the Speaker of the House, John Boehner, and the President Pro Tempore, Orrin Hatch, jointly appointed Dr. Keith Hall to be the next Director of

the Congressional Budget Office, after consideration of the recommendation made to leadership by the chairmen of the House and Senate Budget Committees.

Dr. Hall's term will begin on April 1. Maybe he should start on April 2. It will expire on January 3, 2019, in accordance with the guidelines set forth in the Congressional Budget and Impoundment Control Act of 1974.

The total Congressional Budget Office request is \$47.27 million, a \$1.57 million or 3.4 percent increase over the 2015 enacted level. This funding request supports the current full-time equivalent (FTE) level of 235 plus an additional three FTEs necessary for health related work and developing a specific structure within the existing Macroeconomic Division, in order to comply with the new House rule requirement.

The total GAO request for fiscal year 2016 is \$553.1 million, a \$31.1 million or 6 percent increase above the fiscal year 2015 enacted level. This funding request supports an increase in FTEs from 3,015 to 3,055, which would continue progress on GAO's multi-year plan to achieve an optimal level of 3,250 FTEs.

I look forward to exploring these needs with you and the other members of the subcommittee today and over the next several months as we move forward through this fiscal year 2016 process.

Again, I would like to thank you, and I would like to turn it over to the ranking member, Senator Schatz, for any opening remarks he might have.

#### STATEMENT OF SENATOR BRIAN SCHATZ

Senator SCHATZ. Thank you, Chair Capito. It is an honor to serve on the Senate Appropriations Committee and especially to be serving as your ranking member. I look forward to working with you on this subcommittee, and we are fortunate to have you and your 14 years of experience in the Federal legislative context.

I am anxious today to get started on our work together examining the budgets of agencies funded in this bill and making sure that the taxpayers' money is being spent wisely.

I would like to welcome Director Elmendorf and Comptroller General Dodaro to this hearing. CBO and GAO play a vital role in supporting the Congress' legislative and oversight responsibilities by providing objective and authoritative information to the Congress. CBO and GAO ensure that policy and funding debates are based on sound factual and independent information.

Recent policy and funding decisions are being considered within a challenging fiscal climate, making CBO's cost estimates, budget projections, and economic forecasts especially important.

Within GAO, one key component of their work is the agency's high risk list published at the start of each new Congress to identify areas at high risk for waste, fraud, abuse, or mismanagement. The high risk list provides Congress and the committee a clear and informed set of oversight priorities.

I look forward to working with our two agencies today and throughout the year to ensure that both have the resources needed to fulfill your responsibilities.

I am also interested in learning how your agencies may have to adjust their operations if current Budget Control Act (BCA) spending caps remain in place.

Dr. Elmendorf, after 6 years, you will soon finish your service as CBO Director. I understand CBO has produced more than 3,000 written cost estimates under your leadership, and that this is your 50th and perhaps last congressional hearing.

I want to thank you for your service to Congress and wish you the best in your future endeavors.

Thank you, Chair Capito.

Senator CAPITO. Thank you. Now, I would like to ask the witnesses, beginning with Dr. Elmendorf, to give a brief opening statement of approximately five minutes. The written testimony of each witness will be printed in full in the hearing record. Dr. Elmendorf.

#### SUMMARY STATEMENT OF DR. DOUGLAS W. ELMENDORF

Dr. ELMENDORF. Thank you, Madam Chairman, and Ranking Member Schatz, for your kind words. I appreciate the opportunity to present CBO's budget request for fiscal year 2016.

We are asking for appropriations of \$47.3 million, which will be an increase of \$1.6 million or 3.4 percent from the \$45.7 million provided to CBO for 2015.

About one-quarter of our requested increase, roughly \$440,000, would fund three additional full-time equivalent positions. We aim to boost our staffing from the 235 FTEs contemplated for this year to 238 next year.

The additional FTEs would be devoted, as the chair said, to analyze the economic effects of Federal tax and spending policies, including conducting so-called "dynamic analysis" of certain legislation under the new House rule, and probably on occasion for the Senate as well, and to analyze healthcare issues.

The remaining \$1.1 million of the increase, about 2.4 percent, will be devoted to our ongoing operations. That figure is the net increase of an increase of \$1.7 million in pay and benefits, and a decrease of about \$550,000 in non-pay expenditures.

The proposed increase in pay and benefits reflects small increases in average pay and rising costs of benefits, including a marked increase in contribution rates for the Federal Employees Retirement System that took effect this year but was not anticipated in our budget request for this year. We are meeting this year's costs within our appropriations because the pay of some new employees has turned out to be less than we anticipated.

We continue to face considerable competitive pressure in attracting and retaining the highly educated and skilled employees that we and the Congress need. Talented economists and budget analysts are highly sought by other Government agencies, private analytic organizations, and private companies.

Indeed, the gap between the compensation that CBO can provide and the compensation that people with such backgrounds can receive elsewhere is increasing.

The decrease in non-pay expenditures in our request is mostly related to information technology, and it is possible because funding provided last year and this year allowed us to catch up on IT purchases that had been deferred from previous years.

In various other areas, we expect to contain non-pay costs so it will be less than or equal to this year's expenditures, despite rising prices.

Our goal with this funding request is to continue to provide the Congress with a timely, carefully thought out, non-partisan budgetary and economic analysis that you and your colleagues expect from us.

As you know, our work encompasses a wide array of subjects and appears in many different forms. We write reports on the outlook for the budget and the economy, long term budget outlook, and options for reducing budget deficits.

We issue more than 500 formal cost estimates in a year and provide thousands of preliminary informal estimates as committees seek to have a clear picture of the budgetary impact of proposals before they formally consider legislation.

We release more than 100 scorekeeping tabulations each year, including account level detail for individual appropriation acts at all stages of the legislative process.

We publish roughly 85 analytical reports and other publications each year, generally as required by law, or in response to requests from the chairman and ranking members of key committees.

A common thread running through all of that work is that the demand from you and your colleagues exceeds the quantity that the 235 of us at CBO can supply. The enactment of major healthcare legislation in 2010 has been followed as you know by a high level of congressional interest in analysis of that legislation and numerous proposals for further changes in Federal healthcare programs.

In addition, the slow recovery of an economic down turn has spurred interest in our economic forecasts, and in policies that might boost economic growth and opportunity in both the near term and the longer term.

Moreover, the surge in Federal debt and the high level of projected deficits over the long term have led to ongoing consideration of fundamental changes in spending and tax policies, from changes in benefit programs to defense policy, infrastructure, energy policy, and much more.

Despite the very hard work of CBO's highly dedicated staff, we simply cannot keep up with the volume of requested estimates and other analyses. Of course, we regularly consult with the leadership of the key committees of the House and the Senate as a whole to ensure that our limited resources are focused on the work that is of highest priority to the Congress.

Even so, if we have to reduce our staffing below the current level, the mismatch between the demand for and the supply of our work would become even more acute.

I want to close by thanking this committee for the support it has supported CBO over many years. I have had the extraordinary privilege to lead a terrific organization and work with its very talented people for the past 6 years. I know CBO will continue to provide the Congress with careful objective analysis as you and your colleagues grapple with the many challenges the Nation faces.

Thank you.

[The statement follows:]

## PREPARED STATEMENT OF DR. DOUGLAS W. ELMENDORF

Madam Chairman, Ranking Member Schatz, and members of the subcommittee, thank you for the opportunity to present the Congressional Budget Office's budget request. CBO requests appropriations of \$47.3 million for fiscal year 2016. That amount represents an increase of \$1.6 million, or 3.4 percent, from the \$45.7 million provided to CBO for 2015.

About one-quarter of the requested increase, roughly \$440,000, would fund three new full-time-equivalent positions (FTEs): The agency aims to boost its staffing from the 235 FTEs contemplated in the 2015 appropriation to 238 for 2016. The additional FTEs would be devoted to analyzing the economic effects of Federal tax and spending policies (including conducting "dynamic analysis" of certain legislation pursuant to a new House rule) and healthcare issues.

The remaining \$1.1 million increase (about 2.4 percent) would be devoted to ongoing operations—the result of an increase of nearly \$1.7 million in pay and benefits, which would be partly offset by a decrease of about \$550,000 in nonpay expenditures. The proposed increase in pay and benefits reflects small increases in average pay and rising costs of benefits, including a marked increase in contribution rates for the Federal Employees Retirement System (FERS) that took effect in 2015 but was not anticipated in CBO's 2015 budget request. The decrease in nonpay expenditures, mostly related to information technology (IT), is possible because funding provided in 2014 and 2015 allowed CBO to catch up on IT purchases deferred from previous years. In various other areas, CBO expects to contain nonpay costs so they will be less than or equal to this year's expenditures, despite rising prices.

Of the requested funding for 2016, 91 percent would support pay and benefits, 6 percent would be for IT, and 3 percent would go toward purchases of data, training, office supplies, and other items.

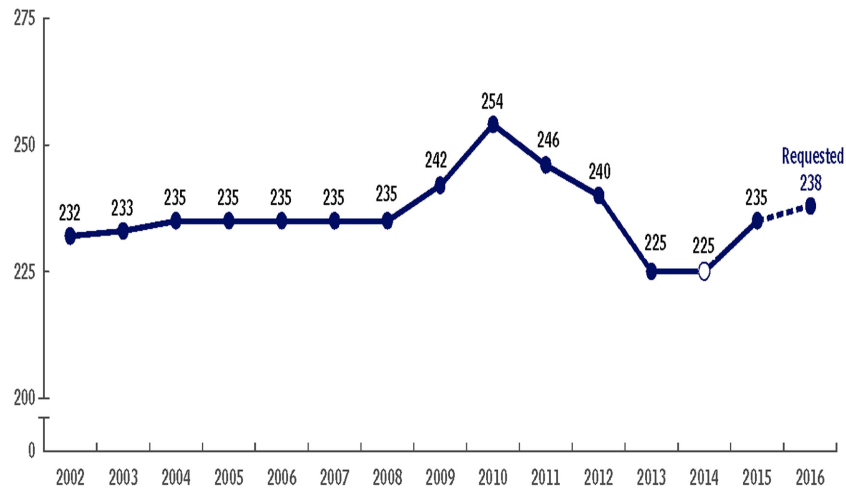
## CBO'S FUNDING HISTORY AND ITS EFFECTS ON STAFFING AND OUTPUT

Because such a large share of CBO's budget represents compensation, the contours of the agency's budget and staffing levels have been and will continue to be closely linked.

Between fiscal years 2002 and 2008, the number of authorized FTEs at CBO held between 232 and 235 (see Figure 1). During that period, CBO's budget generally rose slowly, as Federal employees received salary increases and the cost of Federal benefits increased. For fiscal years 2009 and 2010, the Congress approved larger increases in CBO's budget to support a step-up in staffing. That step-up was intended primarily to increase the agency's ability to analyze potential changes in Federal healthcare policy while maintaining its capacity to provide cost estimates and reports on other topics. CBO had sufficient funding for 254 FTEs in 2010.

The increase in staffing enabled CBO to engage in analyses of particularly complex issues and to provide substantially more estimates and other analyses to the Congress. Among the accomplishments that were facilitated by the larger staff were a significant expansion of healthcare analysis, substantial enhancement of financial analysis, considerable improvement in modeling the economic effects of Federal tax and spending policies, issuance of several reports with options for changing Federal benefit programs, significant gains in the transparency of CBO's analysis, and continued high quality of the agency's cost estimates and analyses of numerous other topics.

However, constraints on CBO's funding (following from constraints on discretionary appropriations as a whole) caused the agency's staffing to shrink in fiscal years 2011 through 2013. The agency's appropriation for 2013 was well below the amounts provided to the agency during the preceding years (see Figure 2). Those cuts, combined with small increases in average pay and rising costs of benefits and other items during those years, required a drop in the number of FTEs to only 225 in 2013, the lowest level in more than a dozen years. In addition, the agency had to defer critical purchases of IT equipment and services and other items.

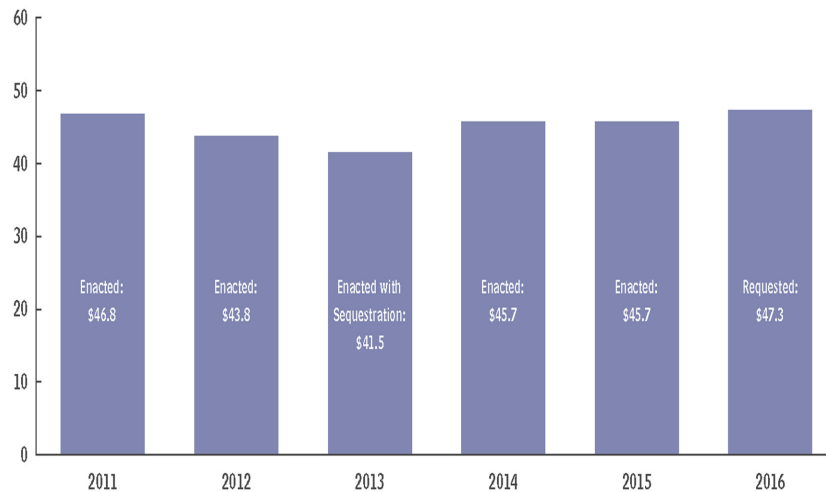
**Figure 1.****FTEs Authorized for Fiscal Years 2002 Through 2016**

Notes: O = In the second quarter of fiscal year 2014, CBO received an appropriation that authorized 235 FTEs, but because of the timing of the appropriation, a realistic goal was 225.

FTE = full-time-equivalent position.

**Figure 2.****Funding for Fiscal Years 2011 Through 2016**

Millions of dollars



CBO's appropriation for 2014 was significantly larger than its appropriation for 2013, and the appropriation for 2015 equaled the amount provided in 2014. Accordingly, the agency sharply increased its recruiting efforts in order to return its staffing to the traditional level of 235 FTEs as quickly as possible and to catch up on deferred IT purchases. As a result, staffing now stands at 234 FTEs, and the number is expected to be slightly higher by the end of this fiscal year.

#### CBO'S FUNDING REQUEST AND ITS CONSEQUENCES FOR STAFFING AND OUTPUT

In fiscal year 2016, CBO will continue its mission of providing objective, insightful, timely, and clearly presented budgetary and economic information to the Congress. To fulfill that mission, CBO requests \$47.3 million in funding—an increase of \$1,570,000 from the \$45.7 million provided for 2015. The requested amount of funding would allow CBO to provide the following estimates and other analyses to the Congress:

- Reports presenting the outlook for the budget and the economy, analyses of the President's budget, long-term budget projections, and options for reducing budget deficits;
- More than 500 formal cost estimates, most of which will include not only estimates of Federal costs but also assessments of the cost of mandates imposed on State, local, and tribal governments or the private sector;
- Thousands of preliminary, informal cost estimates, the demand for which is very high as committees seek to have a clear picture of the budgetary impact of proposals and variants of proposals before they formally consider legislation;
- About 120 scorekeeping tabulations, including account-level detail for individual appropriation acts at all stages of the legislative process and summary tables showing the status of discretionary appropriations (by appropriations subcommittee) and running totals on a year-to-date basis; and
- Roughly 85 analytical reports and other publications—generally required by law or prepared in response to requests from the Chairmen and Ranking Members of key committees—on a broad range of topics, including healthcare, policies for increasing economic growth and opportunity, changes in benefit programs, defense policy, infrastructure, energy policy, and the Government's role in the financial system.

Those products would be the result of very hard work by CBO's highly dedicated staff. Nevertheless, the agency expects that the anticipated volume of estimates and other analyses will fall considerably short of the number of Congressional requests. The demands on CBO remain intense: The enactment of major healthcare legislation in 2010 has been followed by a high level of congressional interest in analysis of that legislation and numerous proposals for further changes in Federal healthcare programs. In addition, the slow recovery from the economic downturn has spurred interest in the agency's economic forecasts and in policies that might boost economic growth and opportunity in both the near term and the longer term. Moreover, the surge in Federal debt and the high level of projected deficits have led to ongoing congressional efforts to enact fundamental changes in spending and tax policies. Analyzing the possibilities and proposals has strained the agency's resources in many areas. CBO regularly consults with committees and congressional leadership to ensure that its limited resources are focused on the work that is of highest priority to the Congress.

The requested funds would be used as follows:

- \$32.1 million for pay of personnel—an increase of \$1.6 million (5 percent) over the amount that will be spent in fiscal year 2015. The increase would cover \$0.3 million in pay for the additional FTEs, as well as performance-based salary increases for current staff and an across-the-board increase of 2.2 percent for employees making less than \$100,000 (if such an increase is authorized for executive branch agencies).
- \$11.1 million for benefits of personnel—an increase of \$0.5 million (5 percent) relative to the amount projected to be spent in 2015, to fund an increase in the cost of Federal benefits as well as the benefits for the added staff members. The increase in the FERS contribution rate (about 1.7 percentage points for most of the affected employees) took effect in 2015 but was not anticipated in the 2015 budget; those costs are being met within the 2015 appropriation because the pay of some new employees turned out to be lower than anticipated. The higher FERS contribution rate accounts for about \$0.5 million of the proposed 2016 funding.
- \$4.1 million for other purposes—a decrease of \$0.5 million (12 percent) from the amount appropriated in 2015. The funds would go toward purchases of IT, data, training, and other items. The decrease for 2016 is made possible primarily by

the fact that the 2014 funding allowed CBO to catch up on deferred IT purchases and to make some purchases that reduced future needs.

In closing, I would like to thank the Committee for the support it has provided CBO over many years, enabling the agency to provide timely, carefully thought-out nonpartisan budgetary and economic analysis to the Congress as it addresses the critical issues facing the Nation.

Senator CAPITO. Comptroller General.



## GOVERNMENT ACCOUNTABILITY OFFICE

## STATEMENT OF HON. GENE L. DODARO, COMPTROLLER GENERAL

Mr. DODARO. Good afternoon, Madam Chairman, Senator Schatz. I am very pleased to be here this afternoon to discuss GAO's budget request.

First, I would like to add to the compliments that both of you have provided to Doug Elmendorf. He has been a tremendous colleague to work with over the years. I want to wish him well in his future endeavors.

## GAO BUDGET

With regard to GAO's budget request, I just want to make three basic points. First, GAO provides an excellent return on investment in supporting the Congress and improving the performance and accountability of the Government.

Second, our ability to make an impact and help the Congress is dependent on having a highly skilled and experienced workforce to carry out our responsibilities.

Finally, we have advanced a prudent request that will enable us to meet the highest priority needs of the Congress and provide the greatest impact on achieving financial benefits.

## GAO RETURN ON INVESTMENT

First, on GAO's return on investment. Last year as a result of implementing our recommendations, there were over \$54 billion in financial benefits identified to the Congress and the country. This is about a \$100 return for every dollar invested in GAO. There were also about 1,200 documented improvements in agency operations that addressed public health and safety issues or helped improve the performance and efficiency of Government programs.

The Bipartisan Budget Act recently incorporated recommendations from GAO to save over \$23 billion which helped in avoiding the sequestration process for fiscal years 2014 and 2015. The Consolidated Appropriations Act for 2015 was replete with references to GAO's work. We made contributions to numerous authorizations and reauthorizations on everything from defense to agriculture programs.

We also helped advance major management reforms that the Digital Accountability and Transparency Act will now improve, if properly implemented, such as the accuracy and searchability of all information on Federal spending.

Our work also led to the Federal Information Technology Reform Act, which will improve IT acquisitions across Government. We have made a number of recommendations to five different pieces of legislation that were passed last year, addressing the Federal Government's response to cybersecurity issues going forward.

I think the record of investing in GAO is very clear and demonstrates that you get good results.

## GAO WORKFORCE

With regard to our workforce, 82 percent of our request is for people. We need highly skilled and experienced people. Right now,

we face succession planning challenges. Like many other public sector and private sector organizations, our workforce is aging.

Right now, 40 percent of our Senior Executives are eligible to retire and 20 percent of our Senior Managers are eligible to retire. As I look ahead to 2018, those numbers go to well over 50 percent of our Senior Executives and over 30 percent of our Senior Managers.

We need to keep replenishing our pipeline. For people to make improvements across the breadth of the Federal Government's operations, they need to be experienced. We need to bring them in and train them not only on how GAO does its work, but also train them to become specialists in subject areas, since we serve about 94 percent of the full committees of the Congress, standing committees of the Congress, and 70 percent of the subcommittees. We need experts in many different areas across the Federal Government.

Finally, I would mention our request this year is for a 5.9 percent increase. That would increase our number of FTE positions by 40. We believe this is a prudent increase. As you mentioned, Madam Chairman, in your opening comments, the optimal level, I believe, for GAO is 3,250 full-time equivalent positions. I am not asking to get to that level as a part of this request.

As the auditor of the Federal Government's financial statements, I understand our fiscal position right now in terms of the deficit and debt. The 40 additional positions will enable us to tackle very important issues ranging from \$124 billion in improper payments that went out last year, as well as the \$385 billion tax gap. We are losing money that we are paying that we should not be paying, and not collecting as much as we should be collecting.

We can make a big difference in those areas and other high risk areas across the Government.

Thank you very much for the opportunity to be here today. I look forward to responding to your questions.

[The statement follows:]

#### PREPARED STATEMENT OF HON. GENE L. DODARO

Chairman Capito, Ranking Member Schatz, and members of the subcommittee:

On behalf of the U.S. Government Accountability Office (GAO), I appreciate the opportunity to discuss our fiscal year 2016 budget request. I also appreciate the confidence this subcommittee has shown in GAO by supporting our efforts to serve Congress and improve Government performance, accountability, and transparency.

The fiscal year 2015 funding of \$522 million will allow GAO to have a staff capacity of 3,015 full-time equivalent (FTE) positions. This is a positive step forward in rebuilding our staff capacity, which in recent years had dropped to its lowest level since 1935 due to funding constraints. GAO remains committed to quality, focusing on meeting the highest priorities of Congress, and assisting in improving Government efficiency and effectiveness.

GAO's fiscal year 2016 budget request of \$553.1 million will support 3,055 FTEs, continuing progress towards achieving an optimal level of 3,250 FTEs. The requested funding also provides the resources to maintain current operations and make limited investments in information technology (IT) and building infrastructure. Costs will be offset with \$33.4 million in reimbursements, primarily from financial audits and rental income.

#### GAO HIGHLIGHTS

Highlights of GAO-15-417T, a testimony before the Subcommittee on Legislative Branch, Committee on Appropriations, Senate.

## BACKGROUND

GAO's mission is to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the Federal Government for the benefit of the American people. GAO provides nonpartisan, objective, and reliable information to Congress, Federal agencies, and to the public and recommends improvements, when appropriate, across the full breadth and scope of the Federal Government's responsibilities.

GAO's work supports a broad range of interests throughout Congress. In fiscal year 2014, GAO received requests for our work from 94 percent of the standing committees of Congress and almost 70 percent of their subcommittees. Additionally, senior GAO officials testified 129 times on a wide range of issues that touched virtually all major Federal agencies.

GAO remains one of the best investments in the Federal Government, and GAO's dedicated staff continues to deliver high quality results. In fiscal year 2014 alone, GAO's work yielded \$54.4 billion in financial benefits—a return of about \$100 for every dollar invested in GAO. Since fiscal year 2003, GAO's work has resulted in:

- over ½ trillion dollars in financial benefits; and
- about 15,800 program and operational benefits that helped to change laws, improve public services, and promote sound management throughout Government.

These results are a reflection of the dedication and hard work of GAO's staff. GAO has again been recognized as an employer of choice, and continues to be ranked near the top on “best places to work” lists. In December 2014 the Partnership for Public Service ranked GAO second among mid-size agencies as one of the best places to work in the Federal Government.

## FISCAL YEAR 2016 PERFORMANCE BUDGET

GAO's fiscal year 2016 budget request of \$553.1 million supports 3,055 full-time equivalent (FTE) staff and continues progress towards achieving an optimal level of 3,250 FTE. The request also provides the resources to maintain current operations and make limited investments in GAO's information technology (IT) and building infrastructure. Costs will be offset with \$33.4 million in reimbursements, primarily from financial audits and rental income.

The Congress used GAO's work extensively in 2014 to identify legislative solutions to emerging problems, achieve cost savings, and find efficiencies in Federal agencies and programs. GAO's work helped Congress achieve some of the billions in savings and revenue enhancements needed to avoid sequestration in fiscal years 2014 and 2015. In addition, GAO's work was cited repeatedly in the *Consolidated and Further Continuing Appropriations Act, 2015*, and contributed to over a dozen key authorizations and reauthorizations, including, among others, the Department of Defense, the Coast Guard, workforce programs, and agriculture programs. GAO's work also contributed to bills intended to improve veteran's healthcare, Federal acquisitions of information technology and weapons systems, and transparency of Federal programs.

In addition to the \$54.4 billion in financial benefits from GAO's work, during fiscal year 2014, we recorded over 1,200 program and operational improvements in numerous areas affecting public safety and security and the efficient and effective functioning of Government programs, including:

- cybersecurity governance;
- oversight of international food aid;
- security of diplomatic facilities and personnel overseas;
- sharing of terrorism-related information with Federal and non-Federal partners; and
- the future of nanomanufacturing, including research and development, U.S. competitiveness, and environmental, health, and safety concerns.

Workforce and succession planning also remain a priority for GAO. In fiscal year 2015, GAO plans to achieve a staffing level of 3,015 FTEs through a targeted recruiting strategy to address critical skills gaps. This is a positive step forward in rebuilding staff capacity which in recent years had fallen to the lowest level since 1935. The additional staff will help ensure GAO has the resources to assist Congress in improving Government performance, effectiveness, and accountability, as well as support GAO's commitment to service and quality. GAO's limited investments in IT and building infrastructure will allow GAO to further streamline business operations, increase staff productivity, as well as improve access to information. Implementation will be done through a phased approach to reduce risk and ensure effective implementation.

## ASSISTING CONGRESS AND THE NATION

GAO provides an exceptional investment, a return of about \$100 for every dollar invested in GAO. In fiscal year 2014, our work resulted in \$54.4 billion in financial benefits and 1,288 program and operational improvements across the Federal Government.

The program areas where these benefits have been realized include public safety and security, program efficiency and effectiveness, public insurance and benefits, acquisition and contract management, tax law administration, and business process and management.

GAO is recognized for its non-partisan, first-hand, objective, fact-based, and reliable analyses across the full breadth and scope of the Federal Government's responsibilities and the extensive interests of Congress.

In fiscal year 2014, we responded to requests from 94 percent of the standing full committees of the Congress, and almost 70 percent of the standing subcommittees. Our analyses and testimony inform debate and decisions by providing facts and supporting documentation. We provide program and technical expertise to support Congress in overseeing the executive branch, evaluating spending priorities, and assessing information from outside parties.

GAO remains steadfast in our financial stewardship responsibilities by providing high quality work identifying cost-savings and revenue enhancements as Congress and the administration deliberate on both the Federal Government's immediate priorities and the Nation's long-term fiscal path. Through sound analysis and advice, GAO recommends solutions across a vast array of areas to foster Government efficiency, effectiveness, and responsiveness on high priority challenges facing Congress and the Nation. In fiscal year 2014, we issued 693 reports and made 1,619 new recommendations. On average about 80 percent of GAO's recommendations have been implemented over a 4 year period.

*GAO's Work Helps Congress Avoid Sequestration*

Our findings are often cited in House and Senate deliberations and committee reports supporting congressional action, including improving Federal programs on our High Risk list and addressing fragmentation, overlap, and duplication in Government. Congress used our work on a broad range of issues to inform its decisions on important legislation, which also resulted in financial and other benefits for the Government.

For example, some of the key decisions adopted by Congress on the fiscal year 2014 and 2015 budget (the Bipartisan Budget Act of 2013) were linked to our work.

Specifically, our efforts helped Congress achieve some of the billions in savings and revenue enhancements needed to avoid sequestration in fiscal years 2014 and 2015, including:

- improving the cost-effectiveness of filling the Strategic Petroleum Reserve resulting in estimated savings of \$3.2 billion over 10 years;
- reducing overpayments for unemployment insurance by \$159 million over 10 years by identifying fraud or failure to report earnings;
- expanding the risk-based element of the Pension Benefit Guaranty Corporation's premium rate structure to increase revenues and offset direct spending by \$7.9 billion over 10 years;
- reducing improper payments to inmates for disaster relief and other assistance resulting in savings of \$80 million over 10 years; and
- increasing aviation security fees to cover 43 percent of aviation security costs in 2014, saving \$12.6 billion over 10 years.

Other contributions to mitigating the sequester related to our work included capping compensation costs for Federal contractors.

*GAO Contributes to a Wide Range of Key Appropriations and Authorization Legislation*

The Congress used GAO's work in 2014 to identify legislative solutions to emerging problems, achieve cost savings, and find efficiencies in Federal agencies and programs. For example, GAO's work was cited repeatedly in the *Consolidated and Further Continuing Appropriations Act, 2015* (2015 Appropriations Act), and contributed to over a dozen key authorizations and reauthorizations, including for the Department of Defense, the Coast Guard, workforce programs, and agriculture programs.

GAO's work also contributed to bills intended to improve veteran's healthcare, Federal acquisitions of information technology (IT) and weapons systems, and transparency of Federal programs, among others. Examples include:

*Cost savings and efficiencies*

- In the 2015 Appropriations Act, Congress rescinded funds or reduced administration proposals for weapon systems, including the Amphibious Combat Vehicle, Joint Tactical Radio System, and the Kiowa Warrior helicopter program for an estimated total of over \$500 million.
- To improve accountability, the Act also withheld funds from agencies, including the Departments of Defense and Energy, until problems identified by GAO were addressed.
- The Agricultural Act of 2014 reflected billions of dollars in savings through the end of the direct payment program and clarification of eligibility for farm program payments.
- The Workforce Innovation and Opportunity Act reauthorization realigned and streamlined employment and training programs, and the Water Resources Reform and Development Act directed the Army Corps of Engineers to realign projects according to priority.
- The Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for fiscal year 2015 (2015 NDAA) required the Department of Defense to periodically reassess their headquarters requirements to address growth in headquarters bureaucracy.

*Increasing Government transparency*

- The Digital Accountability and Transparency Act required the Federal Government to set government-wide data standards for financial data intended to result in consistent, reliable, and searchable government-wide spending data available to the Congress, agency managers, and the public.
- The 2015 Appropriations Act and numerous authorization acts required Federal agencies to report on how they would respond to GAO’s findings and recommendations.

*Services for veterans*

- The Veterans Access, Choice, and Accountability Act reflected GAO’s recommendations regarding changes in the procedures for which VA will pay for healthcare for veterans outside of the VA system. It also addresses concerns about coordination between VA and the Indian Health Service on veteran’s healthcare.
- The Act takes measures to improve IT and staff training related to appointment scheduling.
- The fiscal year 2015 Appropriations Act instructs DOD to improve cemetery and burial operations, including implementing GAO’s recommendations regarding better serving rural veterans.

*Responding to emerging security issues*

- Five new laws addressing emerging cybersecurity challenges reflected GAO’s recommendations, including provisions related to security standards, improving the Federal cybersecurity workforce, promoting public and private collaboration regarding cybersecurity, and to clarify and strengthen cybersecurity roles among Federal agencies.
- With regard to chemical facility security, GAO’s work was reflected in the Protecting and Securing Chemical Facilities Act of 2014, which should result in improved risk assessment procedures.

*Improvements to Federal acquisitions*

- In addition to the savings from weapon systems mentioned above, GAO’s work was reflected in the Federal Information Technology Acquisition Reform Act, which addresses cost and performance issues in Federal IT acquisitions by improving the transparency of major IT investments, expanding the Chief Information Officer’s authorities, eliminating duplication, and identifying cost savings opportunities.
- Similarly, the Transportation Security Acquisition Reform Act of 2014 requires the Transportation Security Agency (TSA) and the Department of Homeland Security (DHS) to reform their approach to identifying technology investments and monitoring cost, schedule and performance of these acquisitions.

*Protecting workers and consumers*

- In the 2015 Appropriations Act the Congress addressed the severe financial difficulties of multiemployer pension plans and the Pension Benefit Guaranty Corporation’s Multiemployer Insurance Program.
- The Cooperative and Small Employer Charity Pension Flexibility Act also reflected GAO’s recommendations regarding these pensions.

- The 2015 Appropriations Act also limits the ability of the National Technical Information Service, within the Department of Commerce, to charge consumers for reports from the Legislative Branch offices that can be obtained from those offices for free.
- It also required the Department of Education to report on how it would implement GAO's recommendations to improve management of the District of Columbia's Opportunity Scholarship Program and ensure that administrative funds can be used to implement them.
- The Coast Guard reauthorization required that information about crime on cruise ships be made easily available on the Department of Transportation's Web site.

*Program and Operational Benefits due to GAO's Work*

Many of the benefits resulting from our work cannot be measured in dollars, but led to program and operational improvements across the Government. During fiscal year 2014, we recorded 1,288 of these other benefits.<sup>1</sup>

GAO's work led to improvements in numerous areas affecting public safety and security and the efficient and effective functioning of Government programs. Examples of actions taken by Government agencies in response to our work include:

- better guidance and oversight to ensure complete documentation of investigations into abuse allegations at immigration detention facilities;
- an improved cyber security governance structure to ensure that Federal agencies' efforts to educate the Nation's cyber security workforce are effective;
- strengthened oversight of international food aid to ensure that targeted assistance reaches vulnerable groups, such as children and pregnant women, in other countries;
- enhanced security of diplomatic facilities and personnel overseas, including improvements to security standards and efforts to mitigate vulnerabilities;
- better sharing of terrorism-related information with Federal and non-Federal partners and enhanced efforts to identify and narrow gaps in information sharing;
- informed decisionmaking on the future of nanomanufacturing, including research and development, U.S. competitiveness, and environmental, health, and safety concerns; and
- improved transparency regarding how sequestration decisions were implemented so that agencies can better plan for such events if they occur in the future.

This past fiscal year, GAO also issued revised internal control standards for the Federal Government and made significant contributions to international auditing standards. These standards can help agencies achieve effective internal control systems to safeguard public resources, report reliable information about their operations, and comply with applicable laws and regulations.

Through the products we issued in fiscal year 2014, we continued to build on bodies of work under our three broad strategic goals:

- (1) address current and emerging challenges to the well-being and financial security of the American people;
- (2) respond to changing security threats and global interdependence; and
- (3) help transform the Federal Government to address national challenges.

Work completed in these areas included:

- Protection of children*—we reported on the need for improvements to school lunches, guidance for states on the use of psychotropic drugs for children in foster care, and preventing sexual abuse of students by school personnel;
- Veterans*—we reported on out-patient medical care, purchasing and tracking of surgical implants, cost increases and schedule delays in constructing and leasing VA medical facilities, and the accuracy and quality of processing disability claims for veterans;
- Healthcare*—we continued to report on the implementation of the Patient Protection and Affordable Care Act (e.g., HealthCare.gov), drug shortages, Internet pharmacies selling counterfeit drugs, Medicare fraud, Medicaid financing, and nursing home care; and
- Financial literacy*—we reported on retirement security, managed retirement accounts, student loans, college debit cards, and lump sum payment pension scams.

<sup>1</sup> GAO's performance results can be found at: <http://www.gao.gov/about/perfaccountreport.html>. Our Web site includes a summary of GAO's fiscal year 2014 Performance and Accountability Report as well as the complete report. The annual report informs Congress and the American people about what we have achieved on their behalf with the funds entrusted to us.

### Testimonies

Senior GAO officials testified 129 times before 70 separate committees or subcommittees on issues that touched virtually all major Federal agencies. Figure 1 shows examples of topics GAO testified on in fiscal year 2014 organized by strategic goal.

Additional information on selected testimonies can be found in Part II of the 2014 Performance and Accountability Report at: <http://www.gao.gov/products/GAO-15-1SP>.

FIGURE 1: EXAMPLES OF FISCAL YEAR 2014 TESTIMONIES BY GOAL

*Goal 1: Address Current and Emerging Challenges to the Well-being and Financial Security of the American People*

|  |   |
|--|---|
| Processing Veterans' Disability Benefits           | Oversight of Student Loans  |
| Early Learning and Child Care                      | Public Transit Challenges   |
| Social Security Disability Programs                | Expectations of Government Support for                              |
| Timely Outpatient Medical Care for Veterans        | Large Bank Holding Companies  |
| Federal Fiscal Exposure from Climate Risks         | Federal Efforts Supporting Financial Literacy                       |
| Export-Import Bank Management                      | VA Construction of Major Medical Facilities Face Cost Increases and |
| Airport Development and Financing                  | Schedule Delays   |
| Oil and Gas Management                             | Medicare Fraud  |
| U.S. Postal Service's Unfunded Benefit Liabilities |   |

*Goal 2: Respond to Changing Security Threats and the Challenges of Global Interdependence*

|   |  |
|---|--|
| Arizona Boarder Surveillance Technology Plan                | DHS's Progress Addressing High Risk Issues   |
| Personnel Security Clearances                               | DOD Acquisition Risks                        |
| DOD's POW/MIA Mission and Challenges                        | F-35 Joint Strike Fighter                    |
| Enhancing Federal Response to Information Security Breaches | NASA Export Controls                         |
| Space Launch Acquisitions                                   | DHS Research and Development Oversight       |
| Nuclear Nonproliferation                                    | Defense Health Reform                        |
| Defense Acquisition Management Reforms                      | USAID Support for Haiti's Reconstruction     |
| DHS Chemical Security Program                               | HealthCare.gov Security and Privacy Controls |
|   | TSA's Screening Partnership Program          |

*Goal 3: Help Transform the Federal Government to Address National Challenges*

|   |  |
|---|--|
| Biosafety Lapses in High Containment Labs                     | Leveraging Best Practices for IT Acquisitions                        |
| Use of Psychotropic Medications for Foster Children           | Monitoring Improper Payments   |
| IT Reform   | Government-wide Challenges to Efficiency and Effectiveness           |
| Patient Protection and Affordable Care Act Enrollment Control | Reducing Fragmentation, Overlap, and Duplication in Federal Programs |
|   | DOD Financial Management   |

Source: GAO.

In addition, to better serve our clients and the public, we expanded our presence in digital and social media, releasing GAO iPhone and Android applications, and launching streaming video web chats with the public. More than 31,300 people now get our testimonies, reports, and legal decisions daily on Twitter, and our blog was just named one of the five best across the Federal Government.

Building on our efforts in fiscal year 2013 to improve the GAO Watchdog website, available exclusively for members and their staff, in fiscal year 2014 we added drop-down menus, videos, and other features to enhance the user-friendliness of the site; improved functionality by allowing users to more easily find information on completed and ongoing GAO engagements; and feature new content such as descriptions of the full range of products and services GAO provides, including briefings by subject matter experts, comments on legislation, and assistance in drafting requests for work.

### High Risk Program

GAO maintains a list for Congress of High Risk areas, which focuses on Government operations that are at high risk of fraud, waste, abuse, and mismanagement, or need transformation to address economy, efficiency, or effectiveness challenges, organized by six broad areas that touch on every aspect of Government operations:

- Strengthening the Foundation for Efficiency and Effectiveness*, including management of Federal oil and gas resources, modernizing the U.S. financial regulatory system and the Federal role in housing finance;
- Transforming DOD Program Management*;
- Ensuring Public Safety and Security*, including mitigating gaps in weather satellite data and protecting public health through enhanced oversight of medical products;
- Managing Federal Contracting More Effectively*, including at DOD, NASA and DOE;
- Assessing the Efficiency and Effectiveness of Tax Law Administration*; and
- Modernizing and Safeguarding Insurance and Benefit Programs*.

In February 2015, GAO released its latest update of the list. The report noted that solid, steady progress has been made in the vast majority of the high-risk areas. Eighteen of the 30 areas on the 2013 list at least partially met all of the criteria for removal from the High Risk List. Of those, 11 met at least one of the criteria for removal and partially met all others. Sufficient progress was made to narrow the scope of two high-risk issues—*Protecting Public Health through Enhanced Oversight of Medical Products and DOD Contract Management*. Overall, progress has been possible through the concerted actions of Congress, leadership and staff in agencies, and the Office of Management and Budget.

This year GAO added 2 areas, bringing the total to 32:

- Managing Risks and Improving Veterans Affairs (VA) Health Care*.—GAO has reported since 2000 about VA facilities' failure to provide timely healthcare. In some cases, these delays or (VA's failure to provide care at all) have reportedly harmed veterans. Although VA has taken actions to address some GAO recommendations, more than 100 of GAO's recommendations have not been fully addressed. The recently enacted Veterans Access, Choice, and Accountability Act included provisions to help VA address systemic weaknesses. VA must effectively implement the Act.
- Improving the Management of Information Technology (IT) Acquisitions and Operations*.—Congress has passed legislation and the administration has undertaken numerous initiatives to better manage IT investments. Federal IT investments too frequently fail to be completed or incur cost overruns and schedule slippages while contributing little to mission-related outcomes. GAO has found that the Federal Government spent billions of dollars on failed and poorly performing IT investments which often suffered from ineffective management, such as project planning, requirements definition, and program oversight and governance. Over the past 5 years, GAO made more than 730 recommendations; about 23 percent had been fully implemented as of January 2015.

GAO is also expanding two areas due to evolving high-risk issues:

- Enforcement of Tax Laws*.—This area is expanded to include IRS's efforts to address tax refund fraud due to identify theft. IRS estimates it paid out \$5.8 billion (the exact number is uncertain) in fraudulent refunds in tax year 2013 due to identity theft. This occurs when a thief files a fraudulent return using a legitimate taxpayer's identifying information and claims a refund.
- Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information (PII)*.—This risk area is expanded because of the challenges to ensuring the privacy of personally identifiable information posed by advances in technology. These advances have allowed both Government and private sector entities to collect and process extensive amounts of PII more effectively. The number of reported security incidents involving PII at Federal agencies has increased dramatically in recent years.

Solving these high risk problems has the potential to save billions of dollars, improve service to the public, and strengthen the performance and accountability of the U.S. Government. For example, since our last update in 2013, we issued 317 reports, delivered 78 testimonies to Congress, and prepared numerous other products such as briefings related to our high risk work. We documented more than \$40 billion in financial benefits and 866 other improvements related to high-risk areas. The complete list of high-risk areas is included as Appendix I. Details on each high-risk area can be found at <http://www.gao.gov/highrisk/overview>.



### *Fragmentation, Overlap, and Duplication*

GAO issued the fourth annual report in 2014 identifying 26 new areas and 64 actions that could reduce fragmentation, overlap, and duplication, as well as other cost savings and revenue enhancement opportunities across the Federal Government. To date, we have identified 188 areas where opportunities exist for executive branch agencies or Congress to reduce, eliminate, or better manage fragmentation, overlap, or duplication; achieve cost savings; or enhance revenue. These areas span a broad range of Government missions and functions.

Within these 188 areas, we've identified approximately 440 actions that executive branch agencies and Congress could take to address these opportunities for greater efficiency and effectiveness. Although Congress and executive branch agencies have made notable progress toward addressing the actions we have identified, further steps are needed to fully address the remaining actions.

As of November 2014, of the recommended actions identified in 2011, 2012, 2013, and 2014, 29 percent have been addressed; 44 percent have been partially addressed; and 23 percent have not been addressed.<sup>2</sup> More specifically, of the actions directed to executive branch agencies, 30 percent have been addressed, 49 percent partially addressed, and 18 percent not addressed.<sup>3</sup> Of the actions directed to Congress, 26 percent have been addressed, 16 percent partially addressed, and 51 percent not addressed.<sup>4</sup>

We estimate that executive branch and congressional efforts to address actions identified by GAO have resulted in over \$10 billion in realized savings with an additional \$60 billion in financial benefits to be accrued over the next 10 years. Implementing other suggested actions could result in tens of billions of dollars more in cost savings and enhanced revenues. For example, in 2012, GAO reported that the military's approach to acquiring combat uniforms was fragmented, which could increase battlefield risk and increase costs. As a result of a provision to the National Defense Authorization Act for fiscal year 2014, the Army did not field new camouflage uniforms, avoiding \$4.2 billion in costs over 5 years.

To assist congressional oversight of these issues, we maintain GAO's Action Tracker, a publicly accessible Web site containing the status of actions suggested in this series of reports. The Web site allows Congress, executive branch agencies, and the public to track the progress the Government is making in addressing the issues we have identified.

### *Legal Work*

In fiscal year 2014, GAO published 22 appropriations decisions, opinions, and letters on wide-ranging issues such as DOD's transfer of individuals from Guantanamo Bay, and the District of Columbia's budget autonomy. GAO attorneys also provided ongoing appropriations law assistance to various congressional committees and Federal agencies navigating the Government shutdown.

GAO also assisted Congress on a number of other matters, including continuing advice on the implementation of sequestration. Finally, GAO's Office of General Counsel handled more than 2,500 bid protest cases during fiscal year 2014, issuing more than 500 decisions on the merits.

The Consolidated Appropriations Act, 2014, directed GAO to develop an electronic bid protest filing system. The statute also authorized the collection and use of fees to offset the costs of that system. We conducted outreach with Congress and small business and veterans groups identified by congressional stakeholders regarding the implementation of a filing fee. Periodic updates are provided on our progress to the House and Senate Committees on Appropriations.

We are making progress in developing the system. After considering the functional requirements for an electronic filing system, with an emphasis on IT security issues, we conducted market research through a Request for Information. We invited several vendors to provide demonstrations of their capabilities, and we developed a prototype bid protest electronic filing system as a proof of concept. We currently expect to complete development and launch the system by the end of calendar 2015.

<sup>2</sup>Eighteen actions (or 4 percent) have been assessed as "consolidated or other" due to additional work or other information that we considered.

<sup>3</sup>Of the 18 actions assessed as "consolidated or other," 13 relate to executive branch actions (or 3 percent of the actions directed to the executive branch).

<sup>4</sup>Of the 18 actions assessed as "consolidated or other," five relate to congressional actions (or 7 percent of the actions directed to Congress).

## STRATEGIC PLAN FOR SERVING CONGRESS

In February 2014, GAO released its updated Strategic Plan: *Serving the Congress and the Nation 2014–2019 (GAO–14–ISP)*. The plan describes our proposed goals and strategies for supporting Congress and the Nation as the country continues through this period of challenge and opportunity. Our strategic plan framework (Appendix II) summarizes the global trends, as well as the strategic goals and objectives that guide our work.

While summarizing trends shaping the United States and its place in the world, the strategic plan reflects the areas of work we plan to undertake, including science and technology, weapons systems, healthcare, homeland security, the environment, and energy.

GAO will also increase collaboration with other national audit offices to ensure sound collaboration and coordination on global issues that directly affect the United States, including international financial markets.

## MANAGING WORKLOAD BY FOCUSING RESOURCES ON CONGRESSIONAL PRIORITIES

To manage our congressional workload, we continue to take steps to ensure our work supports the highest congressional legislative and oversight priorities while focusing on areas where there is the greatest potential for results, such as cost savings and improved Government performance.

We actively coordinate with congressional committees in advance of new statutory mandates<sup>5</sup> by identifying mandates real time as bills are introduced; participating in ongoing discussions with congressional staff; and collaborating to ensure that the work is properly scoped and is consistent with the committee's highest priorities.

In fiscal year 2014, 33 percent of our audit resources were devoted to mandates and 63 percent to congressional requests. I regularly meet with Chairs and Ranking Members of committees and subcommittees to hear firsthand feedback on our performance. Their priorities help ensure we maximize the return on your investment in us.

As a matter of routine, GAO also reviews its list of recurring mandates (i.e., those that have repeating requirements over time) on an annual basis, and works with the appropriate committees to revise or repeal, as appropriate, those mandates on topics or programs which have already been fully analyzed, thereby freeing up resources for higher congressional priorities.

During the second session of the 113th Congress, we collaborated with the Congress to revise or repeal GAO's mandated reporting requirements which had, over time, lost relevance or usefulness. Specifically, GAO worked with responsible committees to have six mandates repealed or revised as part of the 2014 National Defense Authorization Act. In addition, HR 4194, Government Reports Elimination Act repeals or revises an additional 11 mandates, and the National Defense Authorization Act for fiscal year 2015 included provisions to modify or repeal 4 reporting requirements for GAO. Both of these were passed by the Congress and signed by the President in November 2014.

## FISCAL YEAR 2016 REQUIREMENTS

GAO's fiscal year 2016 budget request seeks an appropriation increase of \$31.1 million, or 5.9 percent, to support a modest increase in our staffing level to 3,055 FTE and continue critical improvements in our IT, building, and security infrastructures. Costs will be offset with \$33.4 million in reimbursements, primarily from financial audits and rental income.

The requested resources provide the funds necessary to ensure that GAO can meet the highest priority needs of Congress and produce results to help the Federal Government deal effectively with its serious fiscal and other challenges. A summary of GAO's resources for our fiscal year 2010 baseline and fiscal years 2014 to 2016 is shown in Figure 2.

<sup>5</sup> Congressional mandates include requirements directed by statutes, congressional resolutions, conference reports, and committee reports.

FIGURE 2: FISCAL YEAR 2010 BASELINE AND FISCAL YEAR 2014 TO FISCAL YEAR 2016  
SUMMARY OF RESOURCES  
[Dollars in thousands]

| Funding Source                             | Fiscal Year 2010<br>Actual |           | Fiscal Year 2014<br>Actual |           | Fiscal Year 2015<br>Estimated |           | Fiscal Year 2016<br>Request |           |
|--|----------------------------|-----------|----------------------------|-----------|-------------------------------|-----------|-----------------------------|-----------|
|  | FTE                        | Amount    | FTE                        | Amount    | FTE                           | Amount    | FTE                         | Amount    |
| Salaries and Expenses                      |                            |           |                            |           |                               |           |                             |           |
| Appropriation .....                        |                            | \$556,325 |                            | \$505,293 |                               | \$522,000 |                             | \$553,058 |
| Non-legislative-branch appropriation ..... |                            | 21,804    |                            | 70        |                               |           |                             |           |
| Reimbursements .....                       |                            | 10,214    |                            | 2,330     |                               | 8,405     |                             | 7,955     |
| Offsetting receipts .....                  |                            | 10,892    |                            | 20,898    |                               | 25,000    |                             | 25,000    |
| Bid protest user fees .....                |                            |           |                            |           |                               |           |                             | 450       |
| Total budget authority .....               | 3,347                      | \$599,235 | 2,891                      | \$528,591 | 3,015                         | \$555,405 | 3,055                       | \$586,463 |

Source: GAO.

#### STAFF CAPACITY

Our talented, diverse, and high-performing workforce is essential in fulfilling our mission of supporting Congress. While progress has been made, we still face challenges in addressing critical human capital management issues, including preparing for retirements of key subject matter experts, senior executives, and other key leaders; maintaining a performance-based and inclusive culture that helps motivate and retain a talented and diverse staff; and maintaining workplace and work-life practices that meet the needs of an evolving workforce in an equitable manner.

A significant proportion of our employees are currently retirement eligible. Presently, about 40 percent of our senior executive staff and 21 percent of our supervisory analysts are retirement eligible. In fiscal year 2015, through a targeted recruiting strategy to address critical skills gaps, we plan to hire entry-level staff and student interns to achieve a staff capacity of 3,015 FTEs. This will allow us to continue to reverse the downward trend in our FTEs and achieve some progress in reaching our optimal staffing level of 3,250 FTEs. Our fiscal year 2016 budget seeks funding for a 3,055 FTE level to help us continue to replenish the much needed pipeline of entry-level and experienced analysts to meet future workload challenges.

#### Priority Areas for Increased Staffing

GAO has identified areas that merit increased review and attention as additional staffing is made available including:

- Continued Identification and Reduction in Improper Payments.*—In fiscal year 2014 improper payments made in Federal programs were estimated to be over \$124 billion, nearly \$19 billion higher than reported for fiscal year 2013. Moreover, much of this increase is in two of the fastest growing programs in terms of Federal expenditures—Medicare and Medicaid. GAO will continue to be vigilant in identifying improper payments and providing recommendations to prevent this wasteful situation.
- Science and Technology.*—Congress increasingly asks GAO to review multi-billion dollar Federal investments in science and technology areas, such as cybersecurity, satellite and space programs, sophisticated weapons systems, as well as the environmental and energy sectors. GAO has also developed the capability to do science and technology assessments, and will continue to replenish our staff capacity to maintain a strong position in this area.
- The tax gap.*—The net gap between taxes owed and taxes paid is an estimated \$385 billion each year. There is about an 84 percent compliance rate on taxes owed to the Federal Government. GAO has identified a number of opportunities for the Internal Revenue Service to get better data to do the necessary comparisons and increase collections. GAO will continue to devote resources to this area. The additional resources will enable us to expand our work in finding ways to further close the tax gap.

#### OPERATIONAL EFFICIENCIES

In addition to addressing critical staffing needs, the fiscal year 2016 budget request also focuses funding on two other areas, information technology and building and security.

—*Information Technology*

GAO's IT systems are an essential component in ongoing efforts to maintain efficient and effective business operations and to provide timely data needed to inform management decisions.

Improvements to our aging IT software will streamline business operations, reduce redundant efforts, increase staff effectiveness and productivity, improve access to information, facilitate a more agile and mobile workforce, and improve operational efficiency.

We continue to implement many of these actions in a phased approach to promote efficiencies and monitor effectiveness. In fiscal year 2016, we plan to:

- complete implementation of the first phase of a new content creation system, which will automate the creation, indexing, referencing, review, approval, and publishing of GAO products via a standard workflow;
- increase the availability of our core network wireless infrastructure at both headquarters and the field offices; and
- strengthen our cellular signal with a new antenna capability, which will allow GAO to change providers without needing to upgrade internal antennas.

These efforts will strengthen GAO's technology infrastructure and support an array of engagement management, human capital, and financial management systems.

—*Building and Security*

GAO plans to upgrade critical aging building systems to ensure more efficient operations and security. To support these requirements our fiscal year 2016 budget request includes resources to:

- make general structural and architectural repairs, including the elevator shafts, interior walls, auditorium walls, projection booth, and the handicapped lift;
- continue addressing priority items identified in the asset management plan for critical repairs, end-of-life replacements, and energy saving investments in the headquarters building, including replacement of the first floor heating and air conditioning system and the overhaul and retrofit of two chillers;
- complete the headquarters lockdown project, which would provide building guards with the capability to lock all street exit doors more quickly in the event of an emergency or threat; and
- install Joint Worldwide Intelligence Communication System capabilities to facilitate access to DOD's Top Secret/SCI Internet.

*Telework/Workspace-Sharing Pilots Reduce Costs and Improve Operational Efficiency*

GAO remains committed to sound operational efficiency and effectiveness. Our telework/workspace-sharing pilot has provided an opportunity for staff to work remotely while maintaining quality and productivity. This strategy has allowed GAO to reduce our physical footprint in the field and achieve cost savings of over \$2 million.

GAO is presently assessing the prospect of telework/workspace-sharing pilots in our Washington, DC headquarters. Implementation in headquarters may provide opportunities to streamline space usage and release space for lease to a future tenant, resulting in additional revenue. Results of the pilot will be critical to determining the potential for space reductions.

GAO RECOGNIZED AS ONE OF THE "BEST PLACES TO WORK"

On December 9, 2014, the Partnership for Public Service announced that GAO placed second among mid-size agencies in the best places to work in the Federal Government, and ranked number one in its support of diversity in that same category. GAO has consistently placed among the top five on the Partnership's list since 2005.

We continuously strive to be the employer of choice in the public sector. Our ranking results from the dedicated efforts of the entire GAO team and leadership for their commitment in continuing to make GAO one of the Best Places to Work. GAO management remains committed to work with our union (IFPTE, Local 1921), the Employee Advisory Council, and the Diversity Advisory Council to continue to make GAO a preferred place to work.

CENTER FOR AUDIT EXCELLENCE

The Consolidated and Further Continuing Appropriations Act, 2015, enacted in December 2014, authorized GAO to establish a Center for Audit Excellence to build

institutional auditing capacity and promote good governance by providing training and assistance to qualified personnel and entities, and permitted GAO to charge fees for the Center's products and services.

The Center's mission is to enhance good governance and build the institutional auditing capacity of domestic and international audit organizations by providing high quality training, technical assistance, and related services that leverage GAO's position as a global leader in auditing. A business plan will be provided to the Appropriations Committees that will outline several key principles to help ensure effective operation of the Center.

#### CONCLUDING REMARKS

In conclusion, GAO values the opportunity to provide Congress and the Nation with timely, insightful analysis on the challenges facing the country. GAO's fiscal year 2016 budget request is a fiscally responsible approach that will better position GAO to continue to support Congress and foster Government accountability, address long-standing challenges, and keep a watchful eye on the Nation's future.

Our budget request includes funds to increase our staffing level and provide employees with the appropriate resources and support needed to effectively serve Congress. The requested funding will also allow us to continue efforts to promote operational efficiency, and begin addressing long-deferred investments and maintenance.

This concludes my prepared statement. I appreciate, as always, your continued support and careful consideration of our budget. I look forward to discussing our fiscal year 2016 request with you.

#### APPENDIX I: GAO'S 2015 HIGH RISK LIST

##### *Strengthening the Foundation for Efficiency and Effectiveness*

- Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks
- Management of Federal Oil and Gas Resources
- Modernizing the U.S. Financial Regulatory System and the Federal Role in Housing Finance<sup>a</sup>
- Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability<sup>a</sup>
- Funding the Nation's Surface Transportation System<sup>a</sup>
- Strategic Human Capital Management
- Managing Federal Real Property
- Improving the Management of IT Acquisitions and Operations (*new*)

##### *Transforming DOD Program Management*

- DOD Approach to Business Transformation
- DOD Business Systems Modernization
- DOD Support Infrastructure Management<sup>a</sup>
- DOD Financial Management
- DOD Supply Chain Management
- DOD Weapon Systems Acquisition

##### *Ensuring Public Safety and Security*

- Mitigating Gaps in Weather Satellite Data
- Strengthening Department of Homeland Security Management Functions
- Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland
- Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information<sup>a</sup>
- Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests<sup>a</sup>
- Improving Federal Oversight of Food Safety<sup>a</sup>
- Protecting Public Health through Enhanced Oversight of Medical Products
- Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals<sup>a</sup>

##### *Managing Federal Contracting More Effectively*

- DOD Contract Management
- DOE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management
- NASA Acquisition Management

##### *Assessing the Efficiency and Effectiveness of Tax Law Administration*

- Enforcement of Tax Laws<sup>a</sup>

*Modernizing and Safeguarding Insurance and Benefit Programs*

- Managing Risks and Improving VA Health Care (*new*)
- Improving and Modernizing Federal Disability Programs
- Pension Benefit Guaranty Corporation Insurance Programs <sup>a</sup>
- Medicare Program <sup>a</sup>
- Medicaid Program <sup>a</sup>
- National Flood Insurance Program <sup>a</sup>

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Source: GAO.

<sup>a</sup> Legislation is likely to be necessary to effectively address this high-risk area.

## APPENDIX II: GAO'S STRATEGIC PLAN FRAMEWORK

## Serving the Congress and the Nation

# GAO's Strategic Plan Framework



### MISSION

**GAO** exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

### Trends Shaping the United States and Its Place in the World

|                          |   |                        |                               |  |                                     |                                 |
|--------------------------|---|------------------------|-------------------------------|--|-------------------------------------|---------------------------------|
| National Security Trends | Fiscal Sustainability and Debt Challenges | Global Interdependence | Science and Technology Trends | Communications Networks and Information Technologies | Shifts in Governance and Government | Demographic and Societal Change |
|--------------------------|---|------------------------|-------------------------------|--|-------------------------------------|---------------------------------|

| Goals  | Objectives   |   |
|--|--|---|
| Provide Timely, Quality Service to the Congress and the Federal Government to...   | <ul style="list-style-type: none"> <li>Health care needs</li> <li>Lifelong learning</li> <li>Challenges facing an aging population</li> <li>Effective system of justice</li> <li>Housing finance and viable communities</li> </ul> | <ul style="list-style-type: none"> <li>Stable financial system and consumer protection</li> <li>Natural resources and the environment</li> <li>National infrastructure</li> <li>Benefits and protections for workers, families, and children</li> </ul> |
| Address Current and Emerging Challenges to the Well-being and Financial Security of the American People related to...                        |  |   |
| Respond to Changing Security Threats and the Challenges of Global Interdependence involving...   | <ul style="list-style-type: none"> <li>Homeland security</li> <li>Military capabilities and readiness</li> </ul>   | <ul style="list-style-type: none"> <li>Foreign policy and international economic interests</li> </ul>   |
| Help Transform the Federal Government to Address National Challenges by assessing...   | <ul style="list-style-type: none"> <li>Government's fiscal position and approaches to address current and projected fiscal gaps</li> <li>Federal government audit and internal control standards</li> </ul>                        | <ul style="list-style-type: none"> <li>Major management challenges and program risks</li> <li>Fraud, waste, and abuse, and improvements in internal controls</li> </ul>   |
| Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency by focusing on... | <ul style="list-style-type: none"> <li>Efficiency, effectiveness, and quality</li> <li>Diverse workforce and inclusive work environment</li> </ul>   | <ul style="list-style-type: none"> <li>Networks, collaborations and partnerships</li> <li>Human, information, fiscal, technological, and physical resources</li> </ul>  |

### CORE VALUES

|                |           |             |
|----------------|-----------|-------------|
| Accountability | Integrity | Reliability |
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Source: GAO.

GAO Strategic Plan 2014-2019

## EXPLANATION FOR THREE NEW FULL-TIME EQUIVALENT POSITIONS

Senator CAPITO. Thank you. I want to thank both of you. I will begin the questions. Dr. Elmendorf, you mentioned and you highlighted in your statement the fact that the demand exceeds the supply in terms of your workforce. You have asked for three more FTEs.

I am wondering, is this part of a gradual build up that you believe is necessary for the CBO in order to meet the demand you talked about? Or do you think this is because of the healthcare issue, and maybe some of the macroeconomic issues that need to be addressed?

Dr. ELMENDORF. Madam Chairman, I think the Congress would benefit from higher staffing levels at CBO. A few years ago, we had more than 250 FTEs. That was an increase relative to the 235 that we had in the first part of the last decade, and that increase was designed by the Appropriations Committee, the Budget Committee, and CBO, so that CBO could serve the Congress better, and in particular, by being able to do more analysis of healthcare issues without cutting back on the analysis we do across the whole range of other topics.

We put those extra resources to good use. We hired people and we produced more estimates of pending legislative proposals. We produced more reports, studying areas of the Federal budget. We did more building of models to give you and your colleagues more accurate estimates of the effects of proposals.

If it were up to me and money was freely available, I would certainly have requested a larger increase for CBO, but we understand the constraints you operate under, and we view this as a small step in a direction that would be useful to you.

## USE OF CONTRACTORS AT CBO

Senator CAPITO. I appreciate that. Do you use contractors at all?

Dr. ELMENDORF. Very little. We have a few contractors. We look for expertise outside of CBO when we do not have it, but the vast majority of our expertise is in-house, and we have just a few contractors in particular areas, some in support areas, in IT, and some in substantive areas of economic and budgetary analysis, but it is very limited.

## HIRING EMPLOYEES WITH NON-IMMIGRANT VISAS

Senator CAPITO. You mentioned the skills gap, trying to find the highly skilled economists in terms of competition with both the private and public sector agencies. In the 2016 budget, you include language that you have asked for for the last several years authorizing the hiring of employees with non-immigrant visas.

I understand this is not the first time, but why do you believe that hiring of employees with non-immigrant visas is critical to the workforce, to your workforce? Is it because we do not have the talent here at all or you cannot compete for that talent?

Dr. ELMENDORF. I think we are always trying to attract and retain the best people we can, and I am very proud of the people we have at CBO, but we find the recruiting and retention processes to be difficult.



On the recruiting side, about 35 percent of CBO staff have Ph.D.'s in economics, and two-thirds of the people who are obtaining Ph.D.'s in economics in this country are foreign nationals.

If we can only look at the other third, we have just taken off the table two-thirds of the people who might have the skills that we need, and we cannot settle for people who do not have the right skills, but we end up looking harder and longer. We have larger gaps between when somebody leaves and before we can fill that slot. We sometimes hire people who then need more training from us, which is fine, but it slows our work for Congress.

If we could broaden the field of people whom we could hire, at least in cases where we have a particular shortage of those skills in U.S. citizens, we think that would help us.

We had some of that authority until 2010, and we hired a small number of foreign nationals. At that point, our authority was limited to countries that were allies of the United States, and there was a well defined list of such countries. We found at the time that helped us fill some crucial niches, and that is the authority that we are requesting to have restored.

#### GAO EDUCATION DEMOGRAPHIC

Senator CAPITO. Just curious, Mr. Dodaro, what percentage of your workforce are Ph.D. economists, approximately?

Mr. DODARO. About 75 percent of our people have advanced degrees, Master's and Ph.D.'s.

#### CENTER FOR ADULT EXCELLENCE

Senator CAPITO. There are probably not too many Ph.D. economists, not as many as maybe we need. Let me ask you, at GAO, you created the Center for Audit Excellence, authorized in the 2015 bill. Can you give us an update on that and what your plans for the Center are?

Mr. DODARO. The purposes of the Center are really to help advance U.S. interests abroad. The United States spent money along with others in the donor community. USAID and multinational lending organizations are moving to rely more on country systems.

We would build the auditing capacity in other countries so there is better accountability over U.S. funds and other funds.

Also, this would improve the global marketplace. Right now, for example, in the global financial markets it is important to have international regulations implemented properly. We get most of our drugs now, 80 percent ingredients for prescription drugs, from other countries, and 40 percent of finished drugs. More of our food is now being imported.

If we can build the audit capacities in other countries, there will be better protections for U.S. consumers and U.S. interests.

We have developed a business plan for the Center. Just in the last couple of months alone, the State Department approached us about providing training to an African country to help fight corruption. The Millennium Challenge Corporation has asked for help in providing training in South America and other areas.

We get requests all the time. We are considered one of the global leaders in auditing in the world.

Senator CAPITO. Quick question on that, and then I will go to my colleagues. When you are aiding another country, are you charging a consulting fee or anything like that?

Mr. DODARO. Right now, we have to have the committees approve our business plan before we can actually start operations. The idea is to charge a fee. The Center would be self financing. We need money for start up, like any other small business. Our plan is to use retired GAO people. That way it will not affect our service to the Congress.

Senator CAPITO. Thank you. Senator Schatz.

ENERGY SAVINGS PERFORMANCE (ESPCs) AND UTILITY ENERGY  
SERVICE CONTRACT (UESCs)

Senator SCHATZ. Thank you. Dr. Elmendorf, CBO recently released a report that had great things to say about the taxpayer benefits of using energy savings performance contracts and utility energy service contracts to make long term investments to reduce energy costs.

You report that by law under Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs), energy efficiency upgrades are paid back exclusively from realized energy savings. These contracts never result in a penny of new spending, and agencies do not need to make a meaningful upfront investment.

CBO also reports that beyond having a guarantee of no cost to the taxpayer, ESPCs and UESCs save taxpayer spending on energy. CBO estimates that after a contract is repaid using energy savings, the taxpayer typically retains at least 25 percent of the savings produced by the energy efficient equipment over its useful life.

I think the report confirms ESPCs and UESCs are a sound strategy. Again, they do not require one penny of spending, typically produce savings well beyond their costs, and isolate the taxpayer from risk that the equipment will under perform or fail.

As you know, the CBO's budgetary treatment of ESPCs and UESCs prevent Congress from enacting policies that will allow for more deployment across the Federal Government. This is because the score of the legislation to expand the use of ESPCs and UESCs only reflects the cost of the investments but not the savings that flow back over time.

We need a clear picture of which programs are saving money and CBO's scoring hides the true financial benefits of these types of instruments. CBO has reported several times that the budget rules constrain the agency from reflecting the cumulative net costs and savings from expanding the use of ESPCs and UESCs.

Dr. Elmendorf, why does CBO show any cost for entering into a contract when the contracts themselves guarantee no cost?

Dr. ELMENDORF. Senator, I appreciate your careful read of our report. Let me try to make a few points. The first is that in our analysis of the effects of ESPCs on the Federal Government's energy costs, we rely on analyses of other agencies, including the Government Accountability Office.

Our summary does report that on balance, the energy savings performance contracts that have been entered into recently have

reduced Federal energy costs. That is not true necessarily with every single contract. As we explained, there can be a wide variation in the return across contracts, but on average, that is what other agencies have determined has happened.

In our cost estimates for legislation involving ESPCs, we provide the Congress with the same sort of information that we do for other legislation. We provide an assessment of effects of the legislation on the discretionary spending, the appropriations that are determined by this committee and the rest of the Congress every year, and we provide estimates of effects on mandatory spending.

We do show as a cost in mandatory spending the commitment that the Federal Government is making when it enters into a contract of that sort. That is not a matter of scoring rules. That is just a matter of basic budget principles, which is to show the up front costs.

We also show the savings that can accrue in subsequent years. I think one challenge is that the budget window goes 10 years, and many of the savings, the largest savings in energy costs come well outside that window.

Senator SCHATZ. Sure. There are a couple of issues here. One is the scoring window, and I kind of understand how constrained you may be because frankly it is a difficult challenge, and my view is if most of the savings occur outside of the scoring window, it becomes a policy and an appropriations question more so than a question of how it gets scored.

To be precise about UESCs and ESPCs, the way these contracts are written, at least some of the time, is that the contract is written so that the Government pays no money.

In other words, it is a deal that a State government or a county government has often made private sector companies do this all the time, the company says we will retrofit your building, and whatever savings there is, some will be remitted to the performance contractor and some will be remitted back to the client.

I guess I am having a difficult time understanding how there is any costs at all that goes on the books. I understand there are technical details here.

Try to explain to me in plain English why this would cost the Government anything, forgetting the window. Why would this be an obligation on the books, if this were a private sector company and this was under GAAP procedures or wherever you were, why in the world does this look like an expenditure in anyone's world?

Dr. ELMENDORF. I think part of the answer, Senator, as you say, is the 10 year budget window. This is a transaction where much of the savings occurs outside a 10 year window. If you truncate what is reported—our study goes out 25 years to try to show the full lifetime effects of a contract of this sort, but for the 10 year budget window, if the savings are outside the window and you truncate the numbers at that point, then you will not see the full savings that you are discussing.

The other point is—

Senator SCHATZ. That is the saving side. What about the expenditure side? Am I misunderstanding what an energy savings performance contract is? My understanding over the last 12 odd years in State government and 2 years in the Federal Government is at

least some of these are written such that the Government has no obligation at all to expend a penny.

What are you marking down? What are you recognizing as an expenditure there?

Dr. ELMENDORF. What we are recognizing as an expenditure is the commitment the Government makes, it is acquiring equipment, lighting or insulation or what have you, and it is making a commitment to pay for that over a period of a number of years, but the commitment occurs up front.

It is true that on the year by year basis going forward, the Government will get some savings that will offset those payments so that—

Senator SCHATZ. Just to be clear, even from the first year, it is not like you are paying a little more in the beginning and then you get your savings back. You are starting at—

Dr. ELMENDORF. Yes, in a standard contract, there is a little bit of savings for many years and then larger savings beyond that once the equipment has been essentially paid off.

Senator SCHATZ. You are saying acquiring the commitment is what has to be recognized essentially on the spending side?

Dr. ELMENDORF. Yes, that is right. I think that is really a very important principle, that if the Government takes an action that commits it to spending money, then that cost should be recorded, we think, and very long-standing budget principles say it should be recorded at the time that commitment is made.

The savings will be realized later in many cases, and we try to show those as well. The distinction, again, I think is partly the 10 year cutoff and partly the distinction between discretionary spending and mandatory spending.

There is a very deep distinction in how the Congress thinks about money. The discretionary spending is now controlled by the Congress through caps and is controlled through annual appropriations. The mandatory spending is limited by PAYGO rules.

It is really not our place to combine those two different sorts of flows that the Congress treats very differently. We try to provide information in a contract. You mentioned in your statement that we prevent the Congress from doing something. I want to emphasize we do not prevent the Congress from doing anything.

Senator SCHATZ. Fair enough.

Dr. ELMENDORF. If the information we provide in these costs estimates does not explain the full picture that we see, then we should do a better job in the cost estimate, but I do not think it is by adding up budget categories that the Congress has really set very much apart for decades now.

I am happy to talk to you about ways we can make the estimates express more clearly the point that you want to make.

Senator SCHATZ. Thank you very much.

Senator CAPITO. Senator Murphy.

KING V. BURWELL

Senator MURPHY. Thank you very much, Madam Chair. It is a pleasure to sit on this committee with both of you, and let me add my appreciation to you, Dr. Elmendorf, for your service.

I think this is the first time you have been before any of the committees I have served on while I have been in the Senate, but while I was a member of the Energy and Commerce Committee during the healthcare debate and the energy debate, we got a lot of chances to speak to each other.

One of the great frustrations to members of Congress is CBO's independence, and you really truly are an independent body. That means you do your own interpretation, your own read of the statutes that we pass. We do not tell you what they mean. You do your own derivation and analysis and then attach numbers to it.

I wanted in that context to ask you a question about probably the most important pending case before the Supreme Court right now, which is *King v. Burwell*.

This is a pretty simple question as to whether the Affordable Care Act posits and allows for subsidies to go to states with Federal exchanges and State exchanges, or whether subsidies are allowable only to states that have set up their own State exchanges.

I guess my question is pretty simple. How did CBO read the law as to this question of whether subsidies would go to Federal and State exchange participants or as the petitioners in this case believe, only to State exchange participants?

What was CBO's read? What did you base your numbers off of when you did your analysis of the law?

Dr. ELMENDORF. Senator, our estimates for the Affordable Care Act have always included subsidies flowing to people buying insurance through those exchanges whether the exchanges were being run by the Federal Government or State governments.

We wrote in a letter to Chairman Issa a few years ago, and I quote "To the best of our recollection, the possibility that those subsidies would only be available in States that created their own exchanges did not arise during the discussions CBO staff had with a wide range of congressional staff when the legislation was being considered."

Senator MURPHY. When CBO comes to a place in which they may have questions about the interpretation of a statute, how do you deal with those questions? Do you just ask congressional staff or do you do your own interpretation of the totality of the statute and the totality of the record?

Dr. ELMENDORF. Senator, we read legislation and apply our judgment about its effects, but we did not conduct a full legal analysis of the Affordable Care Act of the sort some people may have then and certainly have since then.

CBO has three attorneys on our staff. They read legislation with our analysts. They also handle all of the legislative needs of the agency as an operating organization.

We do try to read the legislation that we see carefully, but we are not pouring over it with sort of a full legal analysis that you may be suggesting.

Senator MURPHY. Your analysis was that the Affordable Care Act allowed for subsidies to go to State and Federal exchanges, thus, you priced it based on those—

Dr. ELMENDORF. Our estimates included the subsidies being provided to people in exchanges, whether they were operated by the State governments or by the Federal Government.

## TWENTY PERCENT REDUCTION IN AFFORDABLE CARE ACT SUBSIDIES

Senator MURPHY. One other question on generally the same topic. You just released an updated cost analysis on the Affordable Care Act where you estimate that the overall cost will be about 10 percent less but the cost of the subsidies will be 20 percent less.

Can you just speak for a moment as to the driver for specifically that 20 percent reduction? That is a pretty large decrease in terms of the estimate over the course of 10 years as to how much the subsidy is going to cost. It was very welcome news.

There are a couple of factors, right, that figured into your change in an analysis of the rest of the window of the law.

Dr. ELMENDORF. Senator, we released an analysis of the costs of the coverage provisions of the Affordable Care Act. That sort of analysis comes as a natural course of us doing updated baseline projections, because that coverage expansion is so recent, and it is not so much in the existing flow of data. We look at it separately still.

For the other parts of the Affordable Care Act, the big change is Medicare and the big revenue increases. We do not update those separately as private baseline projections because they are woven into current law.

For these coverage provisions, our new estimate of the costs of those provisions is 11 percent less over the next decade than our previous estimate, and as part of that, there was a down revision in the costs of the subsidies provided through insurance exchanges of about 20 percent.

The larger factor there was continued slow growth in private health insurers' spending. We have been expecting some bounce back, and that has not occurred. In fact, the latest data show slower growth than the years preceding that. We now have a number of years of quite slow growth, so we marked down our projection of growth in that spending going forward.

A second factor was we now think there will be slightly fewer people who will take up coverage in the exchanges. That is from a combination of data about the sources of insurance coverage actually before the Affordable Care Act's big insurance expansion. We now have more recent data than we had when we did these estimates some time ago.

There were slightly fewer uninsured people, so less take up of those people into exchanges, and more of the people with employer sponsored health insurance or at large firms that are less likely to drop their coverage because of the Affordable Care Act, and therefore, less flow from employers into the exchanges as well.

Those factors together caused us to mark down our projection of coverage in the exchanges by about one million people in most years going forward.

Senator MURPHY. Just one last quick question. Is part of that reason for increased numbers of people being on employer based coverage because your estimate of cancellations, policy cancellations, has decreased, or the trend line in the number of cancelled policies has decreased?

Dr. ELMENDORF. We think there will be fewer cancellations because of the creation of the exchanges and other features of the Affordable Care Act.

Senator MURPHY. Thank you, Madam Chair.

Senator CAPITO. I am going to go for a second round. Just a clarification. When you said fewer people are projected to be on the exchanges than were originally, which was the cause of your projections going down by a certain percent, did you say you were predicting one million less people? Is that in 1 year or over 10 years?

Dr. ELMENDORF. Yes, it is about one million fewer people in each of the next 10 years roughly.

Senator CAPITO. Ten million less?

Dr. ELMENDORF. Yes, well, we put it carefully as being number of people in a given year, because people can turn up the following year and are or are not covered in various years.

Senator CAPITO. In a given year, I get that.

Dr. ELMENDORF. We had been projecting on the order of 27 million people in the exchanges in 2025, and now we think it will be 25 million. That difference may look like two, but there is some rounding, so the difference actually rounds to one million fewer people in 2025. Also, one million fewer in most of the years, each of the years of the coming decade.

Senator CAPITO. Just curiosity wise, the last year that we have full data for would be 2013, that we have actual data of how many people are on the exchanges?

Dr. ELMENDORF. The exchanges were not in place in 2013. We know how many people were in the exchanges last year.

Senator CAPITO. Okay, 2014.

Dr. ELMENDORF. That number we have. Some data we get pretty much right away, and for some data, we have a lag.

Senator CAPITO. What was that number? Do you have it?

Dr. ELMENDORF. That was, I think, six or seven million people.

Senator CAPITO. Right. What were you projecting? I am just curious.

Dr. ELMENDORF. We had been projecting, I think, somewhat more people a year or two or three ago. I think it came in a little below what we had been expecting a few years before that, but I am not 100 percent sure. We have been expecting a gradual ramp up in enrollment.

We have actually knocked down our projection of enrollment for this year by a million people now, and I think a million people in January. We have come down a little bit for this year. We still think there will be much more enrollment in the future, but not quite as much more than we had thought.

Senator CAPITO. As you had originally thought.

Dr. ELMENDORF. In our last projections.

#### DYNAMIC SCORING

Senator CAPITO. Thank you. Since I have you here and the House has changed their rule 13, clause 8, the dynamic scoring rule. You hear a lot of controversy about this. I just came out of the House 14 years. Subject of great discussion.

If you would not mind and my colleagues do not mind, would you just take a short period of time and tell in layman's terms what

the difference between the way you score and a dynamic score would be?

Dr. ELMENDORF. Yes, of course, I am happy to do that. In CBO's cost estimates, we take on a whole variety of behavioral responses by individuals, by firms, by State governments. What we do not do in our estimates is to incorporate changes in people's behavior that would affect the size of the overall economy. We hold overall employment, overall GDP fixed in our estimates.

We do a substantial amount of work in providing information/analysis of the macroeconomic effects of policy proposals. We do this every year in the analysis of the President's budget. We do this for proposals that Chairman Ryan put forward the last few years as chairman of the Budget Committee.

We do those analyses for major pieces of legislation, major proposals, and we do them separately from our basic cost estimates.

What the House rule does, as you know, is to require CBO to include that sort of macroeconomic feedback in our regular cost estimates for certain pieces of legislation, and in particular for major pieces of legislation, legislation that would have effects on spending or revenues that exceed a quarter percent of GDP in any era of the 10 year budget window at the threshold of \$40 to \$45 billion now.

We will follow that rule in our estimates for the House. We will include those sorts of feedback effects in our estimates for large pieces of legislation.

The closest thing we have done, I think, that has been prominently seen in the Senate was our analysis of immigration legislation the Senate took up a few years ago. A number of years before I arrived at CBO and considering comprehensive immigration legislation, people at CBO decided to assume there would be no change in the labor force or employment when the legislation was designed to increase the number of people in the country in some ways would have forced the estimate to be too distorted, so for the immigration legislation, we actually allowed for some macroeconomic consequences a number of years ago and then again a few years ago when this came up.

We also did a separate analysis a few years ago as part of our analysis of immigration. We had a cost estimate and we had this extra analysis to look at even broader macroeconomic effects on productivity and saving behavior and so on.

Under the current House rule, if that legislation were to come up in the House, we would include all those effects in the cost estimate for the legislation.

Senator CAPITO. For the Senate, you were just asked to do that in sort of an advisory capacity? Is that correct? Or there is no requirement at all in the Senate?

Dr. ELMENDORF. There is no specific requirement. Of course, the chair or the ranking member of the Budget Committee or other key committees can ask us to do that sort of analysis, and we are happy to do that.

We spent a good deal of effort in the past several years improving our modeling of the macroeconomic effects of changes in fiscal policy. We understand Congress' interest in this. The fact that we had not included it in cost estimates has not relieved us in our



minds of the responsibility to be able to do that sort of analysis and to do it for major pieces of legislation of the sort I described.

We have done a lot of modeling work, and we have tried to be very transparent about that. There is a collection of working papers essentially, maybe eight or nine separate reports, that as a collection explain how we do that sort of analysis, so that you and your staff can understand it and so we can receive the scrutiny of outside experts, many of whom we have consulted in the course of building these models, but to continue to receive scrutiny in the way that we do that sort of modeling so you can understand where it is coming from.

#### DYNAMIC SCORING IMPACT ON CBO'S STAFF

Senator CAPITO. Assuming this is going to be a larger part of what the CBO is going to be asked to do, how do you think that is going to affect your workforce? Do you see that as you are going to need more people or different types of staff?

Dr. ELMENDORF. The increase in FTEs, the small increase that we have asked for, is partly to build up our staffing in that area. We have an excellent staff now. We have done this modeling work. It is not that it comes entirely out of the blue.

We do expect there will be more demand for this sort of work and additional resources would help us to meet that demand in a quick and efficient way. Part of the challenge here is this sort of analysis takes a good deal of time, and if we had even a few more people who could do it, then we could respond more quickly to Congress' needs.

Senator CAPITO. We always want everything yesterday, too.

Dr. ELMENDORF. Yes, ma'am.

#### GAO REPORTS AND RECOMMENDATIONS

Senator CAPITO. I understand. Mr. Dodaro, one last question for you. I really appreciate the high quality reports the GAO generates and the money savings that have resulted from this. I think there is a gap between what we have actually enacted or been able to move forward with and what you all have uncovered, so to speak, where there could be greater savings.

Would you have any suggestions for us, either House or the Senate, to be able to look at your recommendations and really achieve more cost savings and more efficiencies that your agency has brought forward? How would you recommend that we go about being better at responding?

Mr. DODARO. First, I would suggest more oversight hearings. Senator Schatz mentioned our high risk list, which has 32 areas on it right now. There is a very significant potential for saving billions of dollars by addressing those issues. More oversight hearings should be guided by the high risk list.

We also produce a report every year on overlap, duplication, and fragmentation in the Federal Government. We add cost savings suggestions and revenue enhancements to that list.

I just testified last week before the Senate Budget Committee. I think there could be more attention by the budget committees. I mentioned the Bipartisan Budget Act for 2014 and 2015 to avoid sequestration. A number of GAO's recommendations were adopted

to help avoid sequestration. There were over \$23 billion in contributions there.

I also reach out to the Executive Branch Cabinet officials and encourage them to implement all the recommendations, they can voluntarily. We are going to send letters to all the agency heads in the coming months on the top recommendations that are outstanding. I anticipate providing that information to the Congress as well so they can use it in appropriation and authorization decisions.

Right now we have about 6,000 outstanding GAO recommendations. On the whole, over a 4 year period, 80 percent of our recommendations are adopted. There are certain areas, like IT acquisitions, we put on the high risk list.

In that area in the last 5 years we made 737 recommendations, and only 23 percent have been implemented. On the Veterans Affairs (VA) healthcare issue, we have over 100 outstanding recommendations. Those are two, VA and IT acquisitions, that we added to the high risk list.

I also thank the subcommittee for looking carefully at our request for 40 FTEs. Many would be used to do more work and provide additional recommendations on how to close the tax gap and how to get on top of the improper payment issue.

#### IMPROPER PAYMENTS

I am very concerned. Last year's estimate for 2014 was \$125 billion in improper payments. These are payments that should not have been made or were made in the wrong amounts. That is an increase of \$19 billion from the prior year. Most of the increase is in Medicaid and Medicare. These are the two fastest growing challenges in the Federal Government's budget. This problem will get worse before it will get better.

I have been saying that for a while, and the additional resources would help.

#### TAX GAP

The tax gap is \$385 billion. We have many outstanding recommendations that Congress could implement that would result in increased revenue collection. These are revenues that are due under the current structure. We are not talking about tax increases. We are just collecting what should be collected.

Senator CAPITO. Right.

Mr. DODARO. Those are a few of my suggestions.

Senator CAPITO. I appreciate that. I think there is nothing more grinding on a taxpayer than to realize improper payments are going in the wrong way, either through fraud, waste, abuse or whatever. It really is an insult to the hard working people in this country who are paying their taxes and doing the right thing. I appreciate that.

Senator SCHATZ.

Senator SCHATZ. Thank you for your leadership in this space. Chairman Capito, I would be happy to work with you in any way to try to help the Senate and Congress overall to try to implement all of the recommendations from your high risk list.

I think this is an opportunity for us to find savings, find revenue, and find bipartisan cooperation.

DYNAMIC SCORING (UNCERTAINTY OF CBO'S ESTIMATES)

Dr. Elmendorf, on the question of dynamic scoring, I am not one of those Democrats as allergic to the dynamic scoring approach as others. I just have a technical question with respect to how it may or may not increase the kind of variability in your cost estimates.

I have to believe that for your analysts and for you and your successor, it may give you a little bit of heartburn to try to imagine macroeconomic impacts of policy and to try to quantify that in a way that is not just hazarding a guess.

I am just wondering how you see this increasing the likelihood that you are going to get something badly wrong in the future.

Dr. ELMENDORF. Senator, we are acutely aware of the uncertainty that surrounds many of our estimates. This is a hard business that we are engaged in. The estimates of the macroeconomic effects of legislation certainly have substantial uncertainty around them, and in recognition of that, when we report those sorts of macroeconomic estimates, we generally do so with explicit ranges.

We provide a central estimate and a higher level and a lower level. I would not say higher and lower bounds because the outcomes could be even outside that range. We try to show you and your colleagues the range.

I would emphasize our estimates that do not include macroeconomic feedback also often have a great deal of uncertainty. I think it is important for you and your colleagues to understand that.

We put down numbers because the budget process really requires numbers that add up, but we always think of them as being in a range of some sort, and I would urge you and your colleagues to remember that.

I would urge you and your colleagues to continue to press us to try to be clear with you and to quantify where we can that uncertainty as we try to do in these macro estimates.

Again, I want to say it is not entirely new to us. This analysis of the President's budget each year and our long term budget outlook each year, they look at alternative scenario's with this sort of macroeconomic feedback.

We draw on the best thinking in the economics profession to do that, both in our reading of the papers and in our direct consultation with members of our panels, advisors, and other people.

We have some confidence that we are giving you the best information that can be provided, but you and we need to remember that there is a lot of uncertainty and the uncertainty gets greater the further out in time we are asked to look, and it gets greater the more stark are the changes in Federal policies.

Senator SCHATZ. Thank you, both. I really want to say that you both represent the best in public service, and I know your agencies work very hard and are sometimes criticized. I just want to say how much I appreciate both of your public service.

Thank you, Madam Chair.

Senator CAPITO. Thank you. I, too, would like to thank both of you. I think I have learned a lot and I appreciate you taking the time to be here with us today.

This concludes the Legislative Branch Appropriations Subcommittee hearing regarding fiscal year 2016 funding for the CBO and GAO. I want to again thank both of you.

#### ADDITIONAL COMMITTEE QUESTIONS

Our hearing record will remain open for seven days allowing members to submit statements and/or questions for the record, which will be sent to the subcommittee by close of business on Tuesday, March 17.

[The following questions were not asked at the hearing, but were submitted to the agency for response subsequent to the hearing:]

#### QUESTIONS SUBMITTED TO DR. DOUGLAS W. ELMENDORF

##### QUESTIONS SUBMITTED BY SENATOR SHELLEY MOORE CAPITO

*Question.* I understand that the fiscal year 2016 budget request includes funding for three additional full-time equivalents (FTE's). Knowing that the salaries and benefits associated with FTE's continue to increase over time, would upgraded, or additional, information technology systems be a more cost-efficient means of increasing CBO's output, rather than hiring new people?

*Answer.* In CBO's view, hiring the additional people would provide the greatest value to the Congress. The additional employees would be devoted to analyzing the economic effects of Federal tax and spending policies (including "dynamic" effects, as required by a new House rule) and healthcare issues.

Certain needs for information technology were addressed by CBO's 2014 appropriation: The agency acquired greater storage capacity and advanced servers designed for sophisticated statistical analysis and modeling undertaken by an increasingly wide swath of the agency. At this time, to analyze the ever-changing proposals considered by the Congress, CBO's most pressing need is for talented analysts who can determine the modeling approaches that are appropriate for a particular proposal, can develop new models or understand and manipulate existing models, can translate legislative language into a set of parameters for use in modeling, and can make other adjustments for features of the legislative language that are not amenable to standard modeling.

*Question.* What would be the impact to the agency if the committee was not able to provide funding for these three additional FTE's in fiscal year 2016?

*Answer.* With its current staffing, CBO cannot meet all of the Congress's requests for estimates and analyses, particularly in the area of healthcare, and there is an increasing desire for the agency to analyze the economic effects of Federal tax and spending policies, as evidenced by the new House rule and a similar provision in the Senate-passed budget resolution. Without funding for three additional positions in fiscal year 2016, fewer of those requests would be fulfilled, and some such analyses would be less timely than desired. For instance, CBO would anticipate preparing fewer reports with policy options than hoped and being able to complete fewer informal estimates of the effects of bills before markup by committee. Even with the additional staffing, the volume of analyses and estimates that CBO could provide would fall far short of the total number of congressional requests.

*Question.* I understand that CBO's budget request for fiscal year 2016 includes an additional full-time equivalent (FTE) for the purpose of conducting dynamic scoring analysis of certain legislation pursuant to the new House rule XIII, clause 8. Why is an additional FTE necessary to help fulfill this requirement when CBO already has a Macroeconomic Analysis Division? Are any other changes required within the Macroeconomic Analysis Division in order to comply with the new House rule? If so, what are the costs associated with those changes?

*Answer.* The agency has excellent analysts in its Macroeconomic Analysis Division, who have built—and continue to build and refine—sophisticated models used as part of such dynamic analyses. Those analyses also involve contributions from analysts in other divisions. Although CBO has done a good deal of work to develop the tools necessary to estimate the macroeconomic effects of legislation, such estimates can be quite complicated and time-consuming because bills can affect a num-

ber of key economic variables and each piece of legislation can affect those variables in different ways. Under the House rule, CBO will have to do more such analyses. Because all of the analysts in the Macroeconomic Analysis Division were fully engaged in work for the Congress before the House imposed this new requirement, CBO expects that one additional analyst in its Macroeconomic Analysis Division would be very valuable in helping the agency to meet its additional responsibilities under the House rule in a timely way.

CBO will continue to evaluate whether it has sufficient resources to implement the House rule and any further requirements that may be imposed by the budget resolution. At this point, the agency is uncertain whether additional resources, beyond those already requested, will be needed.

*Question.* If enacted into law, would any of the provisions in the Senate bill S. 200 require CBO to make further adjustments to its Macroeconomic Analysis Division? Would additional FTE's be necessary, would upgraded software systems be required, or would it be necessary to purchase additional data? If so, what are the costs associated with those changes?

*Answer.* The analyses required under S. 200—to prepare, to the extent practicable, macroeconomic analysis of major revenue legislation—would generally be prepared by the staff of the Joint Committee on Taxation (JCT). However, analyses of major legislation affecting the revenue provisions of the Affordable Care Act and certain other tax legislation affecting healthcare would probably be undertaken jointly by JCT and CBO because the two agencies usually work together on such analyses. Such work would affect multiple divisions within CBO, not just the Macroeconomic Analysis Division. The additional full-time-equivalent positions that CBO has already requested would be helpful in meeting the requirements of S. 200, although, as mentioned, the agency is uncertain whether resources beyond those would be needed.

*Question.* The House rule requires these estimates to cover the current 10-year budget window and the following 20-year period; while the Senate bill requires the estimates to cover the current 10-year window and the following three 10-year periods. Will it be more difficult to provide this analysis for 30 years beyond the first 10-year window as opposed to just 20 years beyond the first 10-year window?

*Answer.* The House rule requires a qualitative assessment of budgetary effects in the 20-year period beyond the usual 10-year window; S. 200 would require quantitative estimates of changes in economic output, employment, interest rates, the capital stock, and tax revenues over the 30-year period beyond the current 10-year budget window. (S. 200 would also require estimates of changes in employment during the 10-year budget window, which would involve additional analysis beyond that needed to fulfill the requirements of the House rule.) Providing qualitative estimates is not as difficult as preparing quantitative ones. The ability to do the latter will vary depending upon various factors, such as the time horizon involved, the amount of time available to conduct the analysis, the complexity of the legislation being considered, the capability of the tools that the CBO has to assess the legislation's effects, and the agency's judgment about the uncertainty of the analysis.

Providing estimates that look farther into the future would be more difficult and time-consuming. To undertake analyses of effects between 30 and 40 years in the future, CBO would need to assess various additional factors, such as how different trends affecting estimates for components of legislation that were projected for the previous decade might change and how aspects of the legislation that were not binding in previous periods might begin to have effects. Estimates that extend beyond 10 years are generally quite uncertain, and the farther out they go, the more uncertain they become and the more difficult that uncertainty is to evaluate. Hence, when quantifying budgetary effects beyond the first decade, CBO often presents them as a percentage of the size of the economy (in part because economic growth itself is a source of uncertainty).

*Question.* The House rule requires that this analysis be made part of the standard CBO cost estimate, but the Senate bill only requires these estimates to be part of a supplemental analysis. Practically speaking, is there a difference in the work performed by CBO to provide this analysis as part of the standard cost estimate vs. providing it as a supplemental analysis?

*Answer.* In either case, CBO will provide all of the typical information provided today plus additional information about macroeconomic effects. The way CBO presents the budgetary impact of the macroeconomic effects of a proposal—either as part of a cost estimate or as a supplemental analysis—would not fundamentally change the work performed by the agency. However, when dealing with similar legislation, meeting two different requirements for presentation would have the practical effect of adding some effort and time.

*Question.* I understand that CBO is again requesting authorizing language that would allow no more than 50 percent of its unobligated balances to remain available for a second fiscal year beyond the year in which it was appropriated. Why is this necessary? What is CBO unable to do with its funds in the year in which they are appropriated that requires carrying them forward?

*Answer.* To ensure that the agency does not obligate more funds than have been appropriated, CBO sets aside funds to cover unexpected expenses late in the year. When such expenses do not arise, some funds remain unobligated at the end of the year. The authorizing language would provide the agency the flexibility of using a portion of those unobligated balances in the following year to pay for data or other goods or services—such as additional information technology services—that are critical but unforeseen and therefore not included in the budget.

In addition, some obligations made at the end of the year do not result in outlays—when costs turn out to be lower than the maximum obligated amounts. The authorizing language would allow CBO to obligate a portion of those funds again so that they could be used, as originally intended, to sustain CBO's operations. The flexibility that CBO is seeking is based on general provisions that appear in the Financial Services, Homeland Security, and Transportation, Housing and Urban Development appropriation bills.

*Question.* What would be the consequences to CBO of not providing this authorizing language in fiscal year 2016?

*Answer.* If the requested flexibility regarding unobligated balances is not provided, CBO will have to use fiscal year 2016 funding to pay for any critical but unforeseen needs—perhaps additional data about healthcare—and then defer other activities included in the budget, such as the maintenance or replacement of information technology equipment. Moreover, obligated funds in excess of costs would continue to be unavailable to the agency.

#### SUBCOMMITTEE RECESS

Senator CAPITO. The next hearing of this subcommittee will be on Thursday, March 12, at 9:45 in Dirksen 124, where we will hear testimony from the Secretary of the Senate, the Senate Sergeant At Arms, the Chief of the Capitol Police, regarding the fiscal year 2016 budget request for those agencies.

Until then, the committee stands adjourned. Thank you.

[Whereupon, at 3:56 p.m., Tuesday, March 10, the subcommittee was recessed, to reconvene subject to the call of the Chair.]